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ABSTRACT

Ohio, like other states, will soon begin implementing parts of a sweeping new federal welfare reform law. These seven 1- and 2-page reports, issued under the general heading of "Ohio Children: Together We Can Help Them Grow," describe various Ohio welfare programs, providing statistics on their costs and usage rates, as well as changes in the programs over time, their successes, and continued problems. Many of the reports also discuss the probable impact of the welfare reform act on the programs. Programs described are the Earned Income Tax Credit, Aid to Dependent Children (ADC), Job Opportunities and Basic Skills (JOBS), Head Start, public child care aid, and Medicaid. Included with the reports is a summary sheet on eight components of the new federal law, major statistics on Ohio welfare, and five proposals advocated for adoption when Ohio rewrites its public assistance laws. Also included is a list of questions for consideration in decisions on implementing the welfare reform act. (EV)

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ED 403 996

Ohio Children—Together We Can Help Them Grow

Earned Income Tax Credit Makes Work Pay

A parent working full time at a minimum wage job will earn $8,840 per year. For a family of three this annual salary represents less than 70 percent of the 1996 poverty level. Half of all Ohio families living below the poverty level have a working adult.

What Is the Earned Income Tax Credit?

The federal EITC was enacted by Congress in 1975 to help low- and moderate-income working families. The EITC has been expanded three times:

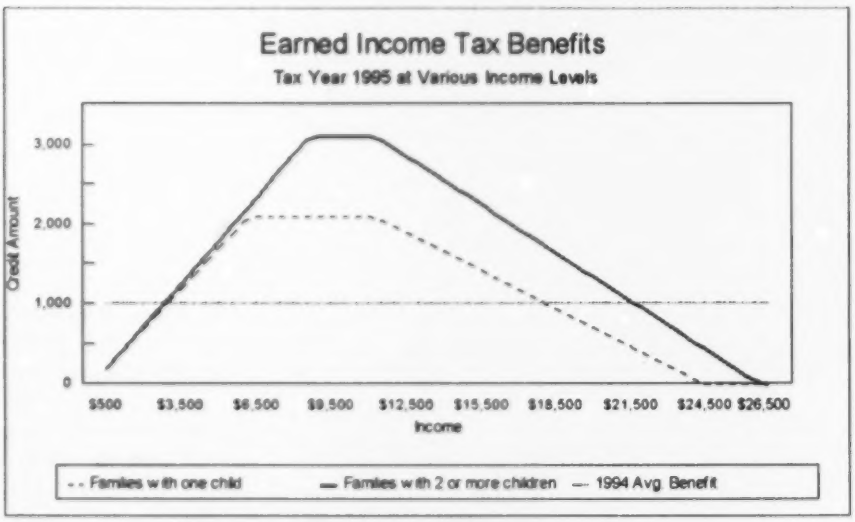
- under President Reagan in the Tax Reform Act of 1986;
- in the budget agreements negotiated by Congress and President Bush in 1990, and
- in President Clinton's budget package in 1993, which will be phased in through 1996.

The tax credit was designed to offset social security payroll taxes and to supplement the earnings of workers with low wages, including workers making the transition from welfare to work. A family's credit is determined by their earnings and the number of children. The credit is refundable which means that a family will receive the full amount of the credit even if the credit is greater than the family's income tax liability.

How Many Ohioans Receive the Tax Credit?

In tax year 1994, 661,483 Ohio families filed for the EITC and received an average credit of $1,019, which will pay for two months of child care for two children. From 1992 to 1994 the number of filers increased by 42.3 percent. The increase in filers is partially a result of expansions in income eligibility that are being phased in through 1996. EITC has high participation rate nationally with 80 to 86 percent of eligible families receiving the federal credit.

Who Is Eligible for the Earned Income Tax Credit?



The EITC helps families with two or more children earning less than $12.83/hour and families with one child earning less than $11.74/hour. The highest tax credit amount goes to families with children earning between 6,000/year and $11,500/year ($5.53/hour).

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How Much Does the Program Cost?

The federal EITC has no cost to Ohio. Ohioans received the following:

TY92	**$411.3 million**
TY93	**$470.0 million**
TY94	**$674.2 million.**

State Earned Income Tax Credits

Even with the expansions in eligibility for the EITC, many working families remain poor. As a result seven states have enacted a state earned income tax credit. (Several other states have low-income credits that are not tied directly to earned income).

State	Percent of Federal EITC
Iowa	6.5% (not refundable)
Maryland	50.0% (not refundable)
Minnesota	15.0% (refundable)
New York	1994—7.5% (refundable) 1995—10.0% 1996—20.0%
Rhode Island	27.5% (not refundable)
Vermont	25.0% (refundable)
Wisconsin 1996	1 Child—4.0% (refundable) 2 Children—14.0% 3 + Children—43.0%

For states an earned income tax credit is a good policy option. State earned income tax credits, like the federal credit, reward work by helping to bring wages of poor families up to or slightly above the poverty level and by offsetting the regressive impact of state income taxes. State EITCs can be refundable or nonrefundable and are typically based on a percentage of the federal credit. The federal credit is adjusted for family size up to two children. States have the option to make family size adjustments beyond the federal adjustment.

Why Is a State EITC Good for Ohio?

Ohio has the opportunity to build on its success in welfare reform by implementing a state earned income credit. With bipartisan support, Ohio passed welfare reform legislation in the summer of 1995 which allows families receiving Aid to Dependent Children (ADC) to earn more money without losing all of their benefits. By increasing the earned income disregard, Ohio is encouraging ADC families to work. A state EITC will complement the earned income disregards by making work pay. As ADC families move from welfare to work, a state EITC will provide some ongoing support to low-income working families.

In addition a state EITC will help prevent low-income working families to rely on the public assistance. The combination of the earned income disregard and the state EITC will make work pay for Ohioans.

Source: Center on Budget and Policy Priorities

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MAY, 1996

Ohio Children — Together We Can Help Them Grow

AID TO DEPENDENT CHILDREN (ADC)

How Many Ohio Children Are In The Program?
In April 1996 more than 70 percent, or 379,040 of the 538,400 people on ADC were children. This means approximately 14 percent of Ohio children receive public assistance through ADC.

How Has Ohio's Caseload Changed?
From Federal Fiscal Year 1993 to 1995 the average monthly number of ADC recipients has declined by nearly 15 percent, with two-parent families dropping by more than 33 percent, approaching three times the 12 percent decline for single-parent cases. Currently two-parent families represent about 11 percent of Ohio's caseload. ***(Federal fiscal years run from October to September.)***

What Changes Are Likely to Impact Ohio?
While the federal picture is still unclear, welfare reform is happening. States are seeking welfare reform demonstration waivers in record numbers. Currently, 43 states, including Ohio, are operating their programs under waivers. Welfare reform demonstrations allow states to administer their programs differently than federal regulations require.

Federal proposals would affect Ohio by capping federal funds, and by eliminating the guarantee of cash assistance and child care to needy families. Work requirements would be greatly strengthened.

What Is Ohio Doing Right?
Last year Ohio adopted what is nationally recognized as a constructive welfare reform law that emphasizes work. This legislation along with improvements in the economy and job opportunities are moving more families to self-sufficiency.

How Much Does The Program Cost Ohio?
Ohio has budgeted the following amounts for the current biennium. A surplus is expected since caseloads continue to decline at a greater rate than projected. The average monthly benefit per recipient as of September 1995 was $116, with the maximum benefit for a family of three of $341.

State Fiscal Year	1996	1997
State	$315.5	$342.4
Federal	$482.1	$500.4
Total	$797.6	$842.8

($ in millions)

Calculations by CDF-Ohio
Revised July 1996 ◆ Children's Defense Fund-Ohio

Ohio Children — Together We Can Help Them Grow

JOB OPPORTUNITIES AND BASIC SKILLS (JOBS)

How Many Ohioans Participate in the Program?
In State Fiscal Year 1995 more than 32,000 Ohio parents on Aid to Dependent Children participated in JOBS per month. Nearly 9,000 parents on average per month volunteer for the program. The following breakout provides participation by component. Parents participating in more than one activity during a month are counted in each activity.

	CWEP*	EDUC/ TRAINING	JOBCLUB/ SEARCH	SUBSZD. EMPLOY.	NOT JOB READY	PENDING	TOTAL
#	7,799	26,010	2,791	105	8,445	8,630	63,564
%	12.3	40.9	4.4	0.2	13.3	13.6	100.0

***Community Work Experience Program**

How Has Ohio's Participation Changed?
From SFY 1993 to 1995 the average monthly number of ADC JOBS participants has declined by nearly 18 percent. Currently, two-parent families represent about 17 percent of Ohio's JOBS caseload. The decline in the number of JOBS participants mirrors the decline in ADC recipients.

What Changes Are Likely to Impact Ohio?
While the federal picture is still unclear, welfare reform is happening. States are seeking welfare reform demonstration waivers in record numbers. Currently, 43 states, including Ohio, are operating their programs under waivers. Welfare reform demonstrations allow states to administer their programs differently than federal regulations require.

Federal proposals would pool federal ADC, JOBS and child care dollars in to one program. The pooled dollars would be capped and not increase based on need. Since work requirements will increase, child care and JOBS costs to Ohio will likely rise.

What Is Ohio Doing Right?
Last year Ohio adopted what is nationally recognized as a constructive welfare reform law that emphasizes work. This legislation along with improvements in the economy and job opportunities are moving more families to self-sufficiency. Improvements in Ohio's economy and Ohio's management of the JOBS program are widely attributed to be the primary causes for decreases in the ADC caseload. Ohio is also considering combining all employment and training programs, including JOBS, into one agency.

How Much Does the Program Cost Ohio?
Ohio has budgeted the following amounts for the current biennium in the Welfare Reform/JOBS line item. Additional JOBS funding is included in other line items.

State Fiscal Year	1996	1997
State	$43.5	$43.0
Federal	$27.9	$29.8
Total	$68.4	$72.7

($ in millions - numbers have been rounded)

Calculations by CDF-Ohio
Revised July 1996 ◆ Children's Defense Fund-Ohio

Ohio Children — Together We Can Help Them Grow

HEAD START

How Many Ohio Children Are in the Program?
In 1996, 50,649 poor preschoolers participated in the Head Start program through a combination of state and federal funding. In 1997, state funds will serve 20,531 children and federal sources will serve 33,764 children for a total of 54,295 enrolled children.

The Ohio Department of Education projects that, based on an estimated poverty rate of 25% for 3- and 4-year-old children in Ohio, 80,402 children are eligible for the comprehensive child development program. **In 1997, Ohio will enroll 67.5 percent of the eligible children, the highest rate in the nation.**

How Has Ohio's Head Start Participation Changed?
The participation rate will have grown from 36 percent in 1990 to 67.5 percent in 1997. The national average is less than 40 percent.

What Is the Likely Impact of Federal Proposals on Ohio?
The federal program is not included in current block grant proposals under consideration in Congress. The final federal budget for 1996 resulted in a one percent increase for Head Start. The President's 1997 budget includes a $410 million increase for Head Start. However, the House appropriations bill includes only a $30.7 million increase.

How Much Does Ohio Invest?
Since 1990 Ohio's investment has grown more than 1,300 percent, growing from $5.4 million to a budgeted $77.2 million in state fiscal year 1997.

Year	State	Federal	Children Served
1990	$5.4	$74.3	28,421
1991	$13.5	$76.3	31,994
1992	$19.8	$85.0	35,806
1993	$26.7	$107.5	42,529
1994	$28.5	$107.5	43,917
1995	$68.4	$133.1	48,956
1996	$68.4	$136.6	50,649
1997	$77.2		54,295

($ in millions)

Calculations by CDF-Ohio
Revised July 1996 ◆ Children's Defense Fund-Ohio

Ohio Children—
Together We Can Help Them Grow

Invest in Child Care and Help Parents Work

"Child care tops the list of needs for city children."

—Critical Needs, Critical Choices: A Survey on Children and Families in America's Cities
National League of Cities/March 1996

Ohioans understand a family's need for child care when both parents or the only parent works. Affordable child care in a safe and healthy home or center keeps families working by allowing parents who are employees to concentrate on their jobs.

More Parents Join the Work Force

The last Census reported that the rate of Ohio mothers with children under age six in the labor force had grown to nearly 60 percent. Whether care is provided in a home or a center, it often is not cheap. In 1995, it cost as much as $87 a week or more to pay for preschool care in a child care center. No wonder child care is sometimes referred to as *the second mortgage*. A single parent earning $6/hour would spend more than one-third of pre-tax income on child care.

Steady Progress —But Mounting Need

Ohio enacted welfare reform legislation last year that will move more ADC families to employment. Currently, child care aid is guaranteed to ADC families in work or training programs. In fact, families who cannot find child care are exempt from JOBS. Unfortunately, some federal welfare reform proposals would increase child care funding but eliminate the guarantee. These families will need child care aid to work; and as low-income workers their need for child care assistance will continue.

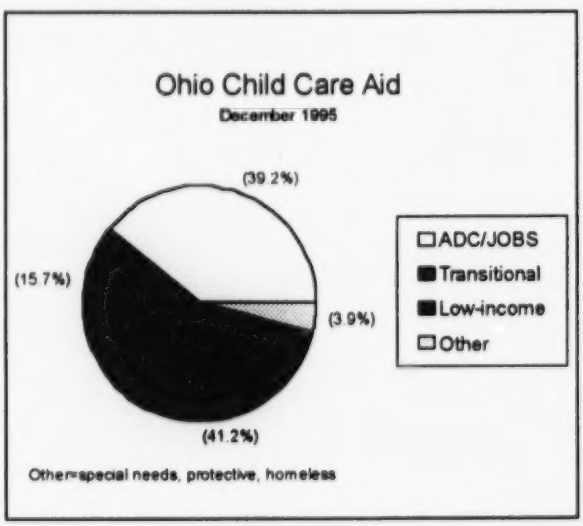
Limited Resources for Low-Income Families

Public child care aid for low-income families is where there is more flexibility but limited resources. From January to June 1995 nearly 24,000 children from low-income working families received public aid for their child care. Because child care is not guaranteed to these families and funding is capped, Ohio tightly controls access to child care aid for non-ADC families. For example, a family of three could only make up to $8.42/hour to be eligible for aid.

Who Receives Public Child Care Aid?

State and federal child care assistance is **guaranteed** to families who:

- receive ADC and are in work and training programs
- transition from welfare to employment (for up to 12 months)



State and federal aid is available but **not guaranteed** to:

- modest income families in work or training programs
- children in protective or special needs care and homeless children

(See "Who Receives. . ." other side)

Ohio Should Increase Its Investment in Child Care

With need certain to grow, Ohio should increase its investment in child care funding. ***The next two-year state budget will provide an opportunity for Ohio to build on its current investment in children.*** In 1994, the Children's Defense Fund-Ohio, the Ohio Association for the Education of Young Children, the Public Children Services Association of Ohio, and other groups called for a $25 million per year budget increase in state funding for child care for the working poor. The state budget was increased by $5 million annually. Ohio's current share of child care aid funding is 35 percent.

Program	1994 Actual Spending	1996 Budget	1997 Budget
ADC/JOBS and Transitional	$72.0	$105.6	$114.3
Working Poor	$52.8	$78.8*	$79.3*
Total	$124.9	$184.3	$193.6

($s in millions)
* includes carryover of federal funds

Who Receives Public Child Care Aid? (Continued)

In December 1995 child care aid was provided to more than 51;000 children:

- 39 percent from ADC families in the JOBS work and training program
- 16 percent from families who left ADC for work during the past 12 months (Transitional)
- 41 percent in low-income working families
- 4 percent in protective or special needs care and homeless children
- An additional 9,000 children are projected to be served in 1997.

Child Care Makes ¢ents

Businesses save money from reduced absenteeism rates and stress levels and make money from increased worker productivity when chld care is available. businees incur costs when employees can not find reliable, affordable, quality child care.

What is the Return on Investment?

Good Child Care

- helps children prepare for school and starts them on the road to becoming our future workforce
- adds to the economic base of the community by creating local employment opportunities
- helps parents remain taxpayers by keeping their jobs, and
- supports a dependable workforce for local business

Poor Child Care

- damages early development and
- jeopardizes children's safety

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Ohio Children — Together We Can Help Them Grow

MEDICAID

How Many Ohio Children Are in the Program?

In Calendar Year 1994 36.6 percent of Ohio births were paid for by Medicaid (includes Aid to Dependent Children, Healthy Start, & Blind/Disabled). The following gives the average monthly number of children enrolled in Medicaid and therefore eligible for services in State Fiscal Years (SFY)1992-1994.

Ohio Children Served (age 0-17) by Category of Medicaid Eligibility

State Fiscal Year	ADC/ ADC Related	Healthy Start	Blind/Disabled	Adopt/Foster Care (age 0-19)	Total Children
1992	559,858	63,721	13,921	12,557	650,057
1993	554,469	91,889	19,343	14,965	680,666
1994	530,061	105,300	26,028	16,870	678,259
Total Costs for 1994	$582,394,789	$126,055,945	$173,627,124	$31,888,918	

How Has Ohio's Caseload Changed?

- Overall, from SFY 1992 to SFY 1994 the number of children enrolled in Ohio's Medicaid program increased by 4.3 percent. The growth came primarily from children in working families through Ohio's Healthy Start program.
- From SFY 1992 to SFY 1994 average monthly Medicaid enrollment for children in the Healthy Start program increased by 65 percent. Healthy Start provides publicly funded health care to pregnant women and children from some of Ohio's poorest working families. Eligibility for Healthy Start expands by one age cohort per year. As of October 1, 1995 children through age 12 are eligible for Healthy Start.
- From SFY 1992 to SFY 1994, ADC Medicaid enrollment for children decreased by 5.3%. This reflects Ohio's decreasing ADC caseload.

What Is the Likely Impact on Ohio?

Federal proposals would reduce the rate of growth in federal dollars over the next seven years, and increase state flexibility to run the program. The state will have to control costs, especially in long-term care where most of the money is spent. The frail elderly population is a major user of long term care services and is growing at a faster rate than other population groups.

What Is Ohio Doing Right?

Ohio has increased access to health care services by expanding Medicaid coverage to working poor families. Health insurance typically costs more than $400/month/family and is unaffordable for many low income working families. Healthy Start is available to pregnant women and children under age six in families of three earning less than $8.05/hour; and to children between ages 6 and 12 in families earning less than $6.05/hour. Thirty-four other states offer health coverage to a wider range of working poor.

How Much Does the Program Cost Ohio?

	SFY 1994	SFY 1996	SFY 1997
State	$2.0	$2.1	$2.3
Federal	$3.1	$3.2	$3.5
Total	$5.1	$5.3	$5.8

The federal government pays 60 percent, and Ohio pays the other 40 percent of Medicaid costs. More than $13,300/year is spent for each elderly person enrolled in Medicaid compared to more than $1,100/year for each child under age 12 enrolled through Healthy Start and ADC.

($ in billions - numbers may not add due to rounding)

Calculations by CDF-Ohio
Revised July 1996 ◆ Children's Defense Fund-Ohio

NEW WELFARE AND CHILD CARE LAWS AFFECT 1 IN 8 OHIO CHILDREN

On October 1, Ohio will begin implementing parts of the sweeping new federal welfare law. The new law:

- **Eliminates a national guarantee** of cash assistance to poor children. By July 1997 the Governor and Ohio Legislature will decide who is eligible, for how long, and under what conditions. Until then, Ohio's current program will remain in effect.
- **Repeals the Aid to Dependent Children, Emergency Assistance, and JOBS programs and replaces them with the Temporary Assistance to Needy Families (TANF) Block Grant.** Ohio will receive the same amount of federal money for the next five years regardless of the rate of inflation or caseload size. There is a small adjustment for recessions.
- **Begins a five-year lifetime limit on eligibility** beginning October 1, 1996. Ohio may exempt 20 percent of families for hardship reasons. Ohio can also choose to continue with current state law, which limits eligibility to three years in any five year period.
- **Requires 30 percent of Ohio single parents receiving assistance to work 20 hours a week beginning October 1997.** Federal law requires 50 percent of single parents to work 30 hours a week by 2002. Education and training does not count until a parent works 20 hours a week. Mothers of children under age one can be excluded when calculating this rate, but their five-year lifetime limit will be expiring. Work rates for two-parent families are higher.
- **Ends the guarantee for child care aid** for parents leaving public assistance. While federal child care aid to Ohio increases modestly in 1997, future increases may not keep pace with increased need.
- **Strengthens child support laws, but eliminates a $50 monthly incentive payment to cooperative custodial parents.** Ohio will continue this payment unless the legislature revokes it.
- **Ends aid to legal immigrants** who are not citizens.
- **Continues medical coverage for one year for families leaving assistance to work.**

DID YOU KNOW?

- **Nearly one in eight** Ohio children depends on temporary assistance—366,000 children in June 1996, down from 480,000 in June 1992.
- Ohio's assistance rolls have declined nearly 25 percent in the four years since the last recession.
- More than half of Ohio children on assistance lacked a court order for child support in 1993. Only one in nine received any support.
- Most families receiving assistance have one or two children, the same number of children as other Ohio families.
- A typical three-person family—a mother and two children—receives, on average, $305 per month in benefits plus $226 in food stamps. The maximum grant is $341 a month.
- Half of Ohio's poor children have a working parent.

Children's Defense Fund-Ohio * September 1996

During the first half of 1997, the Ohio Legislature will have the chance to rewrite and simplify Ohio's public assistance law as part of the state budget. The legislature will be considering several key issues. Many child advocates, including the Children's Defense Fund, are urging Ohio to:

1) **Guarantee that all eligible children are served.** Ohio's public schools cannot turn away eligible students even during recessions. This same guarantee should be extended to Ohio's poorest children. Eligibility and benefits should be the same in every county.

2) **Ensure safe, affordable child care.** Ohio's decision to continue to guarantee child care to parents on assistance who are working and for one transitional year after leaving assistance is a valuable first step. However, preschool child care costs $80 to $100 a week. Presently, 20 counties have closed their child care programs to new applicants from low-wage working families. No low-wage parent should have to choose between working and providing safe care for their child. In preparation for the next state budget, counties should be asked to estimate the need for child care in their community.

3) **Begin now to help counties increase work placement and child care programs.** The state and counties should jointly estimate the number of parents who have to be placed in jobs by October 1997 and then enlist the help of local nonprofit organizations, child care programs, and businesses to help meet this goal.

4) **Continue education and training programs for parents without high school diplomas.** While federal law does not count education programs as work, Ohio should continue to prepare parents to support their children by offering them a chance to earn a high school diploma within a set period of time. More than 40 percent of Ohio parents on public assistance lack a high school diploma.

5) **Simplify** Ohio's program by eliminating any unnecessary paperwork required by state law or administrative rules.

In addition, **advocates should invite legislators and commissioners** to visit job training and child care programs so they can learn firsthand about each county's efforts to meet the 30 percent work participation goal.

Children's Defense Fund-Ohio
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September 1996

How Will Your State/County Implement the New Welfare and Child Care Block Grants?

Background: You are a governor, state legislator, or county official. The new federal welfare block grant, called Temporary Assistance to Needy Families or TANF, becomes effective on October 1 in your state/county. How would you answer the following questions in order to make knowledgeable decisions that will typically affect 1 in 8 children in your state/county?

Helping Parents Work

1. The new law requires 30 percent of parents to work 20 hours a week by October 1997. Education and training programs do not count towards this requirement. How many more parents will need help finding jobs or community service placements, compared to today? What are the financial consequences if these work participation goals are not met?

2. Now that the federal guarantee of assistance is repealed, what steps will your state/county take to assure aid to all eligible families?

Finances and Design

3. Will your state receive enough new federal child care to meet the demands created by new work participation goals? How much does weekly child care cost for one child? What are your plans for child care for the working poor to help them avoid welfare in the first place?

4. How much federal money will your state/county receive? What matching funds is your state required to spend? How does this compare to the past several years? Is this enough to cover all eligible families during a recession?

5. What states or counties have outstanding work placement, child care or child support programs that you should model? Who can you call to obtain this information? What help do you need from national advocacy groups?

6. Should the state run the program or should each county run its own program? Should eligibility and benefits be uniform? What will happen to legal immigrants in your state/county?

Incentives and Measuring Results

7. What is your state/community's capacity to track the new five year lifetime time limit on eligibility? What portion of the families now receiving aid are long term recipients?

8. How will you involve the business, religious, education, and voluntary sectors in helping low-income parents find jobs and child care?

9. What incentives should your state/county offer to encourage work and child support?

10. What innovative ideas do you have to improve opportunities for poor families? Is your state/county considering the creation of a venture capital fund to spur innovative approaches to reducing dependency and promoting independence?